

Message Text

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PAGE 01 GENEVA 08957 01 OF 02 131920Z
ACTION EB-08

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TO SECSTATE WASHDC 0788
USMISSION USUN NEW YORK
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 08957

USEEC USOECD

PARIS OECD PASS TO UNDERSECRETARY COOPER

E.O. 11652: N/A
TAGS: UNCTAD, ETRD
SUBJECT: UNCTAD

1. DR. PETER BOURNE, SPECIAL ASSISTANT TO THE PRESIDENT,
WHO IS IN GENEVA AS U.S. REPRESENTATIVE TO THE UNDP
GOVERNING COUNCIL, PAID SEPARATE COURTESY CALLS JUNE 13
ON UNCTAD SECRETARY GENERAL COREA AND FINANCIAL DIVISION
DIRECTOR ARSENIS. DISCUSSION WITH COREA PRIMARILY CON-
CERNED COMMON FUND WITH COREA GIVING REPORT ON BACKGROUND
OF NEGOTIATIONS AND HOW HE NOW SEES SITUATION. HE CON-
SIDERED TWO INFORMAL MEETINGS THAT HAD BEEN HELD SUBSE-
QUENT TO BREAKDOWN OF NEGOTIATING CONFERENCE LAST DE-
CEMBER HAD BEEN USEFUL. WHILE NOTING U.S. PROBLEMS WITH
KEY ELEMENTS OF PROPOSAL UNDER DISCUSSION, HE CONSIDERED
THAT "WE ARE NOW CLOSE TO AGREEMENT". HE SAID HE HOPED
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PAGE 02 GENEVA 08957 01 OF 02 131920Z

THAT IT WOULD NOW BE POSSIBLE TO RESUME NEGOTIATING CON-
FERENCE SOMETIME IN SEPTEMBER. CONCERNING SECOND WINDOW
HE SAID THERE WAS NO QUESTION OF HAVING PLEDGING SESSION
DURING RESUMED CONFERENCE - THAT PURPOSE OF CONFERENCE
WOULD BE LIMITED TO WRITING THE CONSTITUTION OF THE
COMMON FUND. HE THOUGHT THAT AS FALLBACK IT MIGHT BE POSSI-
BLE TO REACH AGREEMENT ON SECOND WINDOW WITH U.S.

INDICATING ITS UNWILLINGNESS TO MAKE ANY CONTRIBUTION, AT LEAST AT THIS TIME. HE SAID THIS WOULD BE AN UNSATISFACTORY OUTCOME, BUT IMPLIED IT WOULD BE ACCEPTABLE. CONCERNING FIRST WINDOW, HE ARGUED THAT ORIGINAL PROPOSAL HAD BEEN GREATLY SCALED DOWN AND THAT THE DIRECT CONTRIBUTION OF 500 MILLION NOW BEING SUGGESTED WAS ESSENTIAL TO MEET THE NEED TO MAKE FUND GOOD CREDIT RISK IN EYES OF INTERNATIONAL BANKING COMMUNITY. HE NOTED THAT U.S. HAD ALLUDED TO POSSIBILITY OF DIRECT CONTRIBUTIONS LIMITED TO THOSE NEEDED TO PAY ADMINISTRATIVE COSTS BUT CLAIMED THAT SUCH AMOUNTS WOULD BE ENTIRELY INADEQUATE. CONCERNING VOTING AND CONTROL, HE ANTICIPATED THAT THERE MIGHT BE "A LITTLE BIT OF HAGGLING" BEFORE MATTER RESOLVED BUT THAT HE DID NOT ANTICIPATE MAJOR PROBLEMS. ON QUESTION OF RISK OF COMMON FUND OVERLAPPING IBRD, COREA STATED UNCTAD HAD BEEN DISCUSSING SUBJECT WITH BANK OFFICIALS, AND BANK HAD INDICATED THAT THERE WERE AREAS WHERE FUND COULD PLAY ROLE NOT NOW COVERED BY IBRD. FOR EXAMPLE, BANK CAN'T FINANCE MULTICOUNTRY PROJECTS SINCE IT DOESN'T LOOK AT LOAN REQUESTS IN THAT MANNER. ALSO IT IS UNABLE TO INCUR EXPENSES IN DEVELOPED COUNTRIES. COREA SAID SOME IMPORTANT CF ACTIVITIES, SUCH AS MARKET PROMOTION, MAY FALL INTO THAT CATEGORY. COREA ARGUED THAT AGREEMENT ON COMMON FUND WOULD MAKE IMPORTANT CONTRIBUTION TO IMPROVING NORTH/SOUTH ATMOSPHERE. HE CLAIMED DEVELOPING COUNTRIES ARE NOW IN PESSIMISTIC FRAME OF MIND BECAUSE LIMITED OFFICIAL USE

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PAGE 03 GENEVA 08957 01 OF 02 131920Z

THEY CONSIDERED CIEC HAD FAILED AND OVERVIEW COMMITTEE WAS OFF TO A POOR START. DR. BOURNE, WITHOUT GETTING INTO DETAIL OF ISSUES RAISED BY COREA, INDICATED THAT HE CONSIDERED THE ADMINISTRATION WOULD HAVE AN EXTRAORDINARY UPHILL BATTLE TO GET CONGRESSIONAL SUPPORT FOR A SECOND WINDOW. IN RESPONSE TO COREA'S QUERY ABOUT THE ROLE OF THE WHITE HOUSE ON THIS MATTER, DR. BOURNE STATED THAT THE COMMON FUND WAS CONSIDERED AS AN IMPORTANT SUBJECT BUT THAT HE DID NOT ANTICIPATE ANY DIRECT PRESIDENTIAL DECISIONS ON THE MATTER AT THIS STAGE. HE ALSO NOTED THAT THE ADMINISTRATION DID NOT WANT TO AGREE INTERNATIONALLY TO PROJECTS FOR WHICH IT WOULD NOT SUBSEQUENTLY HAVE CONGRESSIONAL SUPPORT. HE ASKED MR. COREA WHETHER HE LOOKED UPON THE COMMON FUND PRIMARILY AS A SYMBOLIC ISSUE OR WHETHER ITS ESTABLISHMENT WOULD HAVE AN IMPORTANT ECONOMIC EFFECT. COREA RESPONDED THAT BOTH ASPECTS WERE IMPORTANT. HE BELIEVED THAT IN A SITUATION WHERE THE DEVELOPED COUNTRIES WERE TAKING A MORE POSITIVE ATTITUDE TOWARD THE ESTABLISHMENT OF INDIVIDUAL COMMODITY AGREEMENTS THAT THE COMMON FUND MIGHT WELL PLAY A SIGNIFICANT ROLE IN GETTING 5 OR 6 ADDITIONAL COMMODITY ARRANGEMENTS ESTABLISHED. ADDED TO THE PRESENT FOUR THE RESULTANT

NINE OR TEN ICAS WOULD COVER A GREAT PART OF INTERNATIONAL COMMODITY TRADE, LEAVING ASIDE FOOD WHICH HE HOPED WOULD BE HANDLED THROUGH THE FAO. ON THE SUBJECT OF FOOD, DR. BOURNE INFORMED COREA THAT THE PRESIDENT PLANNED SOON TO ANNOUNCE AN IMPORTANT NEW COMMISSION ON WORLD HUNGER WHICH WOULD EXAMINE THE MATTER IN A COMPREHENSIVE AND COHERENT MANNER AND COULD BE EXPECTED TO PLAY AN ACTIVIST ROLE.

2. IN THE MEETING WITH ARSENIS, ARSENIS REPORTED THAT HIS SECTION OF THE UNCTAD SECRETARIAT IS TRYING TO DEVELOP NEW WAYS OF LOOKING AT THE QUESTION OF THE TRANSFER OF RESOURCES, WHICH WOULD RESULT IN A GREATER INTE-

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PAGE 01 GENEVA 08957 02 OF 02 131927Z

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LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 08957

GRATION BETWEEN ODA AND PRIVATE FLOWS. HE INDICATED THAT VARIOUS POSSIBLE WAYS OF USING GOVERNMENTAL SEED-MONIES TO STIMULATE PRIVATE FLOWS ARE UNDER CONSIDERATION. THE QUESTION OF FEEDBACK FROM SUCH FLOWS AND THE INTERRELATIONSHIP BETWEEN GROWTH IN THE DEVELOPING COUNTRIES AND ECONOMIC CONDITIONS IN THE DEVELOPED ARE ALSO UNDER ACTIVE CONSIDERATION. ANOTHER KEY FACTOR IN HIS VIEW RELATED TO TRADE POLICY AND STRUCTURAL ADJUSTMENTS IN DEVELOPED AND DEVELOPING COUNTRIES. HE EXPECTED THAT THE FORTHCOMING UNCTAD MEETING ON INTERDEPENDENCE COULD PLAY A USEFUL ROLE IN DISCUSSING THESE TOPICS. DR. BOURNE INDICATED THAT THERE WAS AN INCREASING TENDENCY IN THE U.S. TO SEARCH FOR WAYS TO MAKE USE OF THE PRIVATE SECTOR IN FACILITATING ECONOMIC DEVELOPMENT IN THE LDCS.

HE ALSO NOTED, HOWEVER, THAT THE U.S. ADMINISTRATION
PLACED GREAT STRESS IN USING AID IN WAYS THAT WOULD HAVE
A DIRECT IMPACT ON BASIC HUMAN NEEDS IN THE LDCS.
ARSENIS, NOTING THAT HE WAS SPEAKING PERSONALLY, EXPRESSED
THE VIEW THAT WE SHOULD BE CAREFUL NOT TO OVERDO THE
STRESS ON BASIC HUMAN NEEDS - THAT IN MANY CASES TOO MUCH
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PAGE 02 GENEVA 08957 02 OF 02 131927Z

EMPHASIS ON BETTER SOCIAL EQUALITY COULD LEAD TO CON-
SIDERABLY SLOWER GROWTH RATES. HE POINTED TO THE SRI
LANKAN EXAMPLE WHERE THERE HAS BEEN MUCH PROGRESS IN
ACHIEVING SOCIAL EQUALITY BUT VERY LITTLE ECONOMIC GROWTH,
AND CONTRASTED IT UNFAVORABLY TO THE BRAZILIAN CASE WHERE
THE EMPHASIS HAS BEEN ON GROWTH BUT WHERE NEVERTHELESS
THE EFFECTS OF GROWTH HAD BEEN FELT GENERALLY.
VANDEN HEUVEL

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